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Canada's Government Delivers Broad-Based Tax Relief for Individuals, Families and Businesses

The Honourable Jim Flaherty, Minister of Finance, today presented the Government's 2007 Economic Statement, which proposes broad-based tax relief for all Canadians, including a further reduction of the goods and services tax (GST).

"Given the uncertainty in the global economy, now is the time to provide additional tax relief for Canadians," said Minister Flaherty. "Our strong fiscal position provides Canada with an opportunity that few other countries have—to make broad-based tax reductions that will strengthen our economy and leave more money in the pockets of ordinary Canadians."

Since coming to office 21 months ago, the Government has taken action that will reduce the overall tax burden for Canadians and businesses by about $190 billion, bringing taxes to their lowest level in nearly 50 years.

At the heart of the Tax Relief Package is an additional 1-percentage-point reduction in the GST, effective January 1, 2008. This tax cut fulfills the Government's key campaign commitment and builds on the initial GST reduction introduced in Budget 2006. For consumers, the total savings from the 2-percentage-point reduction in the GST will amount to approximately $12 billion next year.

Individual savings will be significant:

- A family purchasing a new $300,000 home will save $3,840 in GST.
- A family spending $10,000 on home renovations will save $200 in GST.
- A family spending $30,000 on a new minivan will save $600 in GST.

The GST credit will be maintained at its current level, translating into more than $1.1 billion in benefits annually for low- and modest-income Canadians.

The Government is proposing additional tax relief for individuals and families by:

- Increasing the basic personal amount to $9,600 retroactive to January 1, 2007. The basic personal amount will be increased to $10,100 on January 1, 2009. This proposal will provide Canadians with an additional $2.5 billion in tax relief in 2007 and 2008.
- Reducing the lowest personal income tax rate to 15 per cent from 15.5 per cent retroactive to January 1, 2007.

Families earning between $15,000 and $30,000 will pay on average almost $180 less in tax in 2008 as a direct result of the tax measures announced in the Fall Economic Statement.

Families earning between $45,000 and $60,000 will pay on average almost $400 less in tax in 2008 as a direct result of the tax measures announced in the Fall Economic Statement.

Families earning between $80,000 and $100,000 will pay on average $602 less in tax in 2008 as a direct result of the tax measures announced in the Fall Economic Statement.

For Canadian businesses, the Government will be:

- Reducing the general corporate income tax rate to 15 per cent by 2012, starting with a 1-percentage-point reduction in the rate in 2008 beyond the already scheduled reductions.
- Reducing the small business income tax rate to 11 per cent in 2008, one year earlier than scheduled.

"We are putting business taxes on a five-year track downward to help stimulate further economic growth and create even more jobs," said Minister Flaherty. "We are ushering in a new era of declining business taxation in Canada. It will be a steady, predictable decline that businesses can count on and can plan on."

With these reductions, Canada's general federal corporate income tax rate will fall by one-third between 2007 and 2012, and Canada's corporate tax rate will become the lowest among the major industrialized economies.

The Government also announced it is planning additional debt reduction of $10 billion this fiscal year, for a total of more than $37 billion in debt relief since coming to office. This is the equivalent of $1,570 for each man, woman and child in Canada.

As a result, the federal government's debt-to-GDP ratio—its debt load as a share of the economy—is expected to fall below 25 per cent by 2011–12, three full years ahead of the original target and its lowest level since the late 1970s.

With the additional debt reduction in the Economic Statement, the total value of personal income tax relief provided under the Tax Back Guarantee will rise to $2.5 billion by 2012–13.

The 2007 Economic Statement is available on the Department of Finance website.

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